Umjindi Local Municipality
Annual Financial Statements
for the year ended 30 June 2012

General Information

Members of Council	
	L.V. Mashaba (Executive Mayor)
	P.V. Mkhatshwa (Speaker)
	N.E. Mkhabela (Member of Mayoral Committee)
	J. Hlophe Mavi (Member of Mayoral Committee)
	M.E. Nsimbini (Chief Whip)
	Members:
	A.M. Simelane
	H.L. Shongwe
	P.L Sambo
	A.S Mthunywa
	M.C Nkosi
	S.I. Gama
	P.C.W. Minnaar
	M.E. Jacobs
	T.R. Manyisa
	S. Mabuza
	P.M. Mnisi
	B.N. Mathebula
	D.T. Chibi
Grading of local authority	03 Medium Capacity
Accounting Officer	S.F. Mnisi Municipal Manager
Chief Finance Officer	T.P. Mpele
Business address	Cnr Generaal and De Villiers Street Barberton 1300
Postal address	Umjindi Municipality P.O. Box 33 Barberton 1300
Bankers	First National Bank
Auditors	Auditor General (SA)

Index

Acronyms

DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2013 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors.

The annual financial statements set out on pages 4 to 57, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2012 and signed.

T.P. Mpele
Accounting Officer (Acting)

Statement of Financial Position

	Notes	2012	2011
Assets			
Current Assets			
Inventories	10	2 368 157	3 102 609
Other receivables	11	18 849	20 956
Consumer debtors	12	33 026 742	26 141 617
Cash and cash equivalents	13	10 519 421	10 707 280
		45 933 169	**39 972 462**
Non-Current Assets			
Investment property	4	107 213 050	107 213 050
Property, plant and equipment	5	697 837 063	687 381 987
Intangible assets	6	47 178	18 122
Investments in controlled entities	7	100	100
		805 097 391	**794 613 259**
Total Assets		**851 030 560**	**834 585 721**
Liabilities			
Current Liabilities			
Other financial liabilities	14	760 535	676 437
Finance lease obligation	15	254 879	307 625
Trade and other payables	18	31 602 399	27 497 032
VAT payable	19	12 761 968	12 301 390
Consumer deposits	20	2 484 432	2 437 164
Unspent conditional grants	16	2 877 322	8 112 104
Provisions	17	976 326	704 428
		51 717 861	**52 036 180**
Non-Current Liabilities			
Other financial liabilities	14	4 162 718	5 004 358
Finance lease obligation	15	47 861	339 866
Retirement benefit obligation	9	11 723 000	10 452 445
Provisions	17	7 850 000	3 296 273
		23 783 579	**19 092 942**
Total Liabilities		**75 501 440**	**71 129 122**
Net Assets		**775 529 120**	**763 456 599**
Net Assets			
Accumulated surplus		775 529 120	763 456 599

Statement of Financial Performance

	Notes	2012	2011
Revenue			
Property rates	22	17 685 442	15 838 059
Service charges	23	90 402 268	82 357 747
Rental of council buildings		480 590	663 684
Interest received - outstanding debtors		2 637 659	3 075 259
Fines		74 220	227 959
Licences and permits		2 437 269	2 365 890
Government grants & subsidies	24	94 206 397	64 691 846
Donations		2 890 200	-
Penalty on contract payment		222 500	-
Other income	25	9 791 937	11 862 351
Interest received - external investments	29	561 807	634 335
Total Revenue		**221 390 289**	**181 717 130**
Expenditure			
Employee related costs	27	(56 569 772)	(50 315 242)
Remuneration of councillors	28	(4 605 297)	(4 050 657)
Depreciation and amortisation	30	(24 909 139)	(24 936 453)
Impairment property, plant and equipment		(111 341)	-
Finance costs	31	(875 370)	(2 755 186)
Contributions to bad debt provision		(7 005 347)	-
Repairs and maintenance		(3 895 489)	(4 574 406)
Bulk purchases	33	(51 179 127)	(39 780 391)
Grants and subsidies paid	32	-	(90 000)
General expenses	26	(58 993 179)	(2 869 217)
Total Expenditure		**(208 144 061)**	**(129 371 552)**
Loss on disposal of assets		(1 350 536)	(858 507)
Fair value adjustments	46	41 647	769 000
Surplus for the year		**11 937 339**	**52 256 071**

Statement of Changes in Net Assets

	Accumulated surplus	Total net assets
Opening balance as previously reported	573 660 706	573 660 706
Prior year adjustments	(4 303 633)	(4 303 633)
Balance at 01 July 2010 as restated	**569 357 072**	**569 357 072**
Changes in net assets		
Correction of prior period error (note 34)	141 901 587	141 901 587
Movement in internal insurance reserve	(58 128)	(58 128)
Net income (losses) recognised directly in net assets	141 843 459	141 843 459
Surplus for the year	52 256 068	52 256 068
Total recognised income and expenses for the year	194 099 527	194 099 527
Total changes	194 099 527	194 099 527
Balance at 01 July 2011 as restated	**763 456 599**	**763 456 599**
Changes in net assets		
Prior period error	135 182	135 182
Net income (losses) recognised directly in net assets	135 182	135 182
Surplus for the year	11 937 339	11 937 339
Total recognised income and expenses for the year	12 072 521	12 072 521
Total changes	12 072 521	12 072 521
Balance at 30 June 2012	**775 529 120**	**775 529 120**

Cash Flow Statement

	Notes	2012	2011
Cash flows from operating activities			
Receipts			
Sale of goods and services		119 739 067	120 036 126
Grants		94 206 397	65 234 858
Interest received from investments		561 807	634 335
		214 507 271	185 905 319
Payments			
Employee costs		(61 175 069)	(52 572 896)
Suppliers		(114 864 081)	(40 044 603)
		(176 039 150)	(92 617 499)
Net cash flows from operating activities	35	**38 468 121**	**93 287 820**
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(36 763 053)	(62 037 038)
Proceeds from sale of property, plant and equipment	5	618	45 794
Purchase of other intangible assets	6	(51 067)	-
Interest Income		-	634 335
Net cash flows from investing activities		**(36 813 502)**	**(61 356 909)**
Cash flows from financing activities			
Repayment of other financial liabilities		(757 542)	(748 136)
Finance lease payments		(408 331)	(2 075 328)
Transactions posted directly in surplus		135 185	2 182 398
Prior year adjustments		-	(16 684 585)
Finance costs		(811 790)	(762 948)
Net cash flows from financing activities		**(1 842 478)**	**(18 088 599)**
Net increase/(decrease) in cash and cash equivalents		**(187 859)**	**13 842 312**
Cash and cash equivalents at the beginning of the year		10 707 280	(3 135 032)
Cash and cash equivalents at the end of the year	13	**10 519 421**	**10 707 280**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevent policy.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates on certain inventory items and the write down is included in operating expenditure.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including economic factors.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

Post retirement benefits

Payments to defined contribution retirement benefit plans are charged to the Statement of Financial Performance as they fall due. Payments made to industry managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the scheme is equivalent to those arising in a defined contribution retirement benefit plan. The retirement benefits are calculated in accordance with the rules of the funds. Full actuarial valuations will be performed on a regular basis on defined benefits contribution plans, unless exemption to do so has been obtained from the Registrar of Pension Funds.

The municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current conditions of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the member is liable for anywhere between 30% and 50% of the medical aid membership fee, and the municipality for the remaining 50% to 70%. The amount varies from person to person. The medical aid contributions are charged to the Statement of Financial Performance as they fall due. The additional cost effect of defined benefit retirement funds is immaterial and the costs thereof are charged to the Statement of Financial Performance as they fall due. The municipality's net obligation in respect of post retirement plans are calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods whereby that benefit is discounted to determine its present value.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

1.2 Investment property (continued)

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.
Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.
Costs include costs incurred initially and costs incurred subsequently to add to, to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value. Fair value is determined by using the last available general valuation roll or market related valuations.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises. If the fair value of investment property under construction is not determinable, it is measured at cost until the earlier of the date it becomes determinable or construction is complete

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the costs. The cost also includes the necessary costs of dismantling and removing the asset and restoring the asset on the site on which it is located.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets to the estimated residual value.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

1.3 Property, plant and equipment (continued)

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.
Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	**Average useful life**
Land	Indefinite
Buildings	5 - 30
Motor vehicles	5 - 15
Office equipment	
• Computer hardware	3 - 5
• Office machines	5 - 7
• Air conditioners	3 - 15
Infrastructure	
• Roads and Paving	5 - 50
• Electricity	5 - 50
• Water	10 - 55
• Sewerage	30 - 60
Community	
• Buildings	5 - 30
• Recreational Facilities	5 - 30
• Parks and gardens	5 - 30
Other property, plant and equipment	5 - 15
Other equipment	5 - 15
Landfill site	10 - 55

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate but if the change is due to the incorrect useful life being utilised, it is accounted for as a prior year error .

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of Property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Stands which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.4 Intangible assets

An asset is identified as an intangible asset when it:
- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

Accounting Policies

1.4 Intangible assets (continued)

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	**Useful life**
Computer software	5 years

1.5 Investments in controlled entities

Investments in controlled entities are carried at cost less any accumulated impairment.

The cost of an investment in controlled entity is the aggregate of:
- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the municipality; plus
- any costs directly attributable to the purchase of the controlled entity.

1.6 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:
- Loans and receivables
- Cash and cash equivalents
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

1.6 Financial instruments (continued)

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Regular way purchases of financial assets are accounted for at trade date.

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

Gains and losses arising from changes in fair value are recognised in equity until the asset is disposed of or determined to be impaired. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in surplus or deficit as part of other income. Dividends received on available-for-sale equity instruments are recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

Changes in fair value of available-for-sale financial assets denominated in a foreign currency are analysed between translation differences resulting from changes in amortised cost and other changes in the carrying amount. Translation differences on monetary items are recognised in surplus or deficit, while translation differences on non-monetary items are recognised in equity.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

1.6 Financial instruments (continued)

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

The carrying amount of the asset is reduced through the use of a provision account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the provision account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Financial liabilities

Financial liabilities are classified according to the substance of contractual agreements entered into. Trade and other payables are stated at their nominal value.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the municipality has transferred its rights to receive cash flows from the asset and either
  -has transferred substantially all the risks and rewards of the asset, or
  -has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

1.6 Financial instruments (continued)

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Operating leases - lessor

Operating lease income is recognised as income on another systematic basis. Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset.

Any contingent rents are expensed in the period they are incurred.

1.8 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

1.8 Inventories (continued)

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date. The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.9 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

1.9 Impairment of cash-generating assets (continued)

Basis for estimates of future cash flows

In measuring value in use the municipality:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:
- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.9 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal for impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.
Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.
After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

1.9 Impairment of cash-generating assets (continued)

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.10 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is:
- (a) the period of time over which an asset is expected to be used by the municipality

Value in use

Value in use of an asset is the present value of the asset's remaining service potential.

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

1.10 Impairment of non-cash-generating assets (continued)

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.11 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of performance bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

1.11 Employee benefits (continued)

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Other post retirement obligations

The municipality provides post-retirement health care benefits upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. An annual charge to income is made to cover both these liabilities.

1.12 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Accounting Policies

1.12 Provisions and contingencies (continued)

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding agreement.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 37.

1.13 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and rebates.

Accounting Policies

1.13 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.14 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and rebates.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

Fines

Revenue from the issuing of fines is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. The revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Government grants

Government grants are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.15 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.16 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:
- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:
- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.9 and 1.10. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

1.16 Borrowing costs (continued)

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.17 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.18 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.21 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management’s best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.22 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

1.23 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

2. Changes in accounting policy

The annual financial statements have been prepared in accordance with standards of Generally Recognised Accounting Practice on a basis consistent with the prior year.

3. New standards and interpretations

GRAP 23: Revenue from Non-exchange Transactions

Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the municipality.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised as recognise an amount equal to that reduction.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 24: Presentation of Budget Information in the Financial Statements

Subject to the requirements of paragraph .19, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where an entity prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and annual financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 103: Heritage Assets

Grap 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

A heritage asset should be recognised as an asset only if:
- it is probable that future economic benefits or service potential associated with the asset will to the municipality; and
- the cost of fair value of the asset can be measured reliably.

The standard required judgment in applying the initial recognition criteria to the specific circumstances surrounding the entity and the assets.

Grap 103 states that a heritage asset should be measured at its cost unless it is acquired through a non-exchange transaction which should then be measured at its fair value as at the date of acquisition.

In terms of the standard, an entity has a choice between the cost and revaluation model as accounting policy for subsequent recognition and should apply the chosen policy to an entire class of heritage assets.

The cost model requires a class of heritage assets to be carried at its cost less any accumulated impairment losses.

The revaluation model required a class of heritage assets to be carried at its fair value at the date of the revaluation less any subsequent impairment losses. The standard also states that a restriction on the disposal of a heritage asset does not preclude the entity from determining the fair value.

Grap 103 prescribes that when determining the fair value of a heritage asset that has more than one purpose, the fair value should reflect both the asset's heritage value and the value obtained from its use in the production or supply of goods or services or for administrative purposes.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase should be credited directly to a revaluation surplus. However, the increase should be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit. If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease should be recognised in surplus or deficit. However, the decrease should be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Grap 103 states that a heritage asset should not be depreciated but an entity should assess at each reporting date whether there is an indication that it may be impaired.

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

In terms of the standard, compensation from third parties for heritage assets that have been impaired, lost or given up, should be included in surplus or deficit when the compensation becomes receivable.

For a transfer from heritage assets carried at a revalued amount to property, plant and equipment, investment property, inventories or intangible assets, the asset's deemed cost for subsequent accounting should be its revalued amount at the date of transfer. The entity should treat any difference at that date between the carrying amount of the heritage asset and its fair value in the same way as a revaluation in accordance with this Standard. If an item of property, plant and equipment or an intangible asset carried at a revalued amount, or investment property carried at fair value is reclassified as a heritage asset carried at a revalued amount, the entity applies the applicable Standard of GRAP to that asset up to the date of change. The entity treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard of GRAP relating to that asset. For a transfer from investment property carried at fair value, or inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount should be recognised in surplus or deficit.

The carrying amount of a heritage asset should be derecognised:
- on disposal, or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 21: Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

An municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, an entity estimates the recoverable service amount of the asset.

The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:
- Depreciated replacement cost approach
- Restoration cost approach
- Service units approach

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

An municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, an entity estimates the recoverable service amount of that asset.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2012.

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 26: Impairment of cash-generating assets

Cash-generating assets are those assets held by an municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

An entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, an municipality estimates the recoverable amount of the asset. When estimating the value in use of an asset, an municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and an municipality applies the appropriate discount rate to those future cash flows.

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, an municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, an entity use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

An municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, an municipality estimates the recoverable amount of that asset.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions un the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Notes to the Annual Financial Statements

	2012	2011

4. Investment property

	2012			2011		
	Fair value	**Impairment**	**Carrying value**	**Fair value**	**Impairment**	**Carrying value**
Investment property	107 213 050	-	107 213 050	107 213 050	-	107 213 050

Reconciliation of investment property - 2012

	Land and Buildings	**Total**
Investment property	107 213 050	107 213 050

Reconciliation of investment property - 2011

	Land and Buildings	**Transfers**	**Other changes, movements**	**Fair value adjustments**	**Total**
Investment property	119 035 000	(5 105 950)	(7 485 000)	769 000	107 213 050

The fair value of investment property was based on the available general valuation roll.

Revenue interest to the value of R Nil (2011: R111 550) was earned from the investment property.

All investment property loans were redeemed during 2010/2011 and no loan existed in 2011/2012 thus no interest on outstanding loans was raised during 2011/2012.

5. Property, plant and equipment

	2012			2011		
	Cost	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	89 106 958	-	89 106 958	89 106 959	-	89 106 959
Buildings	14 834 922	(5 070 177)	9 764 745	14 706 635	(4 549 074)	10 157 561
Infrastructure	823 076 603	(258 211 898)	564 864 705	780 381 827	(237 831 335)	542 550 492
Community	31 240 942	(19 721 994)	11 518 948	31 240 942	(18 624 132)	12 616 810
Other property, plant and equipment	26 877 778	(18 381 463)	8 496 315	28 372 389	(18 783 285)	9 589 104
Capital work in progress	12 685 899	-	12 685 899	21 856 730	-	21 856 730
Heritage	529 508	-	529 508	529 508	-	529 508
Landfill site	2 796 273	(1 926 288)	869 985	2 796 273	(1 821 450)	974 823
Total	**1 001 148 883**	**(303 311 820)**	**697 837 063**	**968 991 263**	**(281 609 276)**	**687 381 987**

Notes to the Annual Financial Statements

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals	Transfers	Fair value adjustment	Depreciation	Impairment loss	Total
Land	89 106 959	-	-	-	-	-	-	89 106 958
Buildings	10 157 561	128 287	-	-	-	(521 103)	-	9 764 745
Infrastructure	542 550 492	4 499 116	-	38 195 661	-	(20 327 964)	(52 600)	564 864 705
Community	12 616 810	-	-	-	-	(1 039 119)	(58 743)	11 518 948
Other property, plant and equipment	9 589 104	3 110 820	(1 351 154)	-	41 646	(2 894 101)	-	8 496 315
Capital work in progress	21 856 730	29 024 830	-	(38 195 661)	-	-	-	12 685 899
Heritage	529 508	-	-	-	-	-	-	529 508
Landfill site	974 823	-	-	-	-	(104 838)	-	869 985
	687 381 987	**36 763 053**	**(1 351 154)**	**-**	**41 646**	**(24 887 125)**	**(111 343)**	**697 837 063**

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	89 106 959	-	-	-	-	89 106 959
Buildings	11 103 114	-	-	-	(945 553)	10 157 561
Infrastructure	488 367 836	42 566 733	-	29 442 513	(17 826 590)	542 550 492
Community	13 713 774	-	-	-	(1 096 964)	12 616 810
Other property, plant and equipment	14 108 789	1 330 195	(904 301)	-	(4 945 579)	9 589 104
Capital work in progress	33 159 133	18 140 110	-	(29 442 513)	-	21 856 730
Heritage	529 508	-	-	-	-	529 508
Landfill Site	1 082 835	-	-	-	(108 012)	974 823
	651 171 948	**62 037 038**	**(904 301)**	**-**	**(24 922 698)**	**687 381 987**

	2012	2011

5. Property, plant and equipment (continued)

Other information

The lifespans of certain items of PPE within the various categories have been affected by increasing the RUL as follows:

Assets	Between
- Emergency Equipment	5 to 10 years
- Furniture and Fittings	1 to 7 years
- Office Equipment	3 to 15 years
- Vehicles	1 to 15 years
- Plant and Equipment	4 to 15 years
- Security Equipment	20 to 25 years
- Buildings	5 to 30 years
- Community Assets	20 to 30 years
- Heritage Assets	0 to 0 years
- Infrastructure Electricity	5 to 10 years
- Infrastructure Roads	5 to 60 years
- Infrastructure Water	10 to 55 years
- Infrastructure Sewer	30 to 60 years
- Land	Indefinite
- Solid Waste	Undefined

Refer to Appendix B for more detail on property, plant and equipment.

6. Intangible assets

	2012			2011		
	Cost / Valuation	**Accumulated amortisation**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation**	**Carrying value**
Computer software	94 757	(47 579)	47 178	43 690	(25 568)	18 122

Reconciliation of intangible assets - 2012

	Opening balance	Additions	Amortisation	Total
Computer software	18 122	51 067	(22 011)	47 178

Reconciliation of intangible assets - 2011

	Opening balance	Amortisation	Total
Computer software	31 878	(13 756)	18 122

7. Investments in controlled entities

Held to maturity investments

Name of company	Held by	% holding 2012	% holding 2011	Carrying amount 2012	Carrying amount 2011
Umjindi Local Economic Development Agency (Pty) Ltd	Umjindi Local Municipality	100 %	100 %	100	100

The investment is held at cost.

The carrying amounts of controlled entities are shown net of impairment losses.

Notes to the Annual Financial Statements

	2012	2011

8. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

	Loans and receivables	Loans and receivables
Consumer debtors (Other receivables from exchange transactions)	33 026 742	26 141 617
Other receivables from non-exchange transactions	18 849	20 956
Cash and cash equivalents	10 519 422	10 707 280
	43 565 013	**36 869 853**

9. Retirement benefit obligation

Post retirement health care benefits

Balance at the beginning of the year	10 452 445	14 696 150
Service cost	490 000	1 456 109
Interest cost	623 000	-
Less benefits paid	(473 445)	-
Acturial (gain)/loss	631 000	(5 699 814)
Balance at end of year	**11 723 000**	**10 452 445**

The municipality provides certain post-retirement health care benfits by funding the medical aid contributions of qualifying retired members of the municipality. The municipality subsidises between 40% and 70% of employees medical aid contributions after retirement. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund in retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent acturial valuation was carried out at 30 June 2012 by Krishen Sukdev, an actuary employed by Independent Actuaries and Consultants (Pty) Ltd.

The members of the post-retirement health care benefits are made up as follows:

In-service members (employees)	128	128
Continuation members	17	17
	145	**145**

The municipality makes monthly contributions for health care arrangements to the following accredited medical aid schemes:
- Key Health
- Bonitas
- Hosmed
- LA Health

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	8.1%	Based on yield curve
General inflation	5.4%	Based on yield curve
Medical inflation	6.9%	6.4%
Expected retirement age - female	63	63
Expected retirement age - male	63	63

	2012	2011

9. Retirement benefit obligation (continued)

Defined contribution plan

All Councillors and employees belong to defined contribution retirement funds administered by the National Pension Fund approved by the Bargaining Council. These funds are subject to a triennial actuarial valuation. These valuations indicate that the funds are in a sound position.

The municipality is under no obligation to cover any unfunded benefits.

10. Inventories

	2012	2011
Water	45 136	40 461
Stores, materials and fuels	2 323 021	3 062 148
	2 368 157	**3 102 609**

During the financial year an amount of R Nil (2011: R Nil) was written off as obselete and damaged stock.

Inventory balances are held at cost and are held for own use with the result that no write down of inventory to net realisable value were required.

11. Other receivables

	2012	2011
Other debtors	-	(7 064)
Theft of cash by employee	-	25 427
Bad debts written off	16 256	-
Sundry debtors	(4 722)	(4 722)
Underbanked cash	7 315	7 315
	18 849	**20 956**

Trade and other receivables pledged as security

There were no trade and other receivables pledged as security.

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates. None of the financial assets that are fully performing have been re-negotiated in the last year.

Fair value of trade and other receivables

	2012	2011
Other receivables from non-exchange transactions	18 849	20 956

The fair value was determined by accepting the face value of the outstanding balances.

Trade and other receivables past due but not impaired

Sufficient information was not available to age trade and other receivables from non-exchange transactions for impairment.

12. Consumer debtors

Consumer debtors from exchange transactions

	2012	2011
Gross balances		
Electricity	7 425 051	8 388 414
Water	12 143 023	7 879 005
Sewerage	6 138 784	4 635 995
Refuse	8 424 944	5 989 732
Sundry	19 950 168	20 095 794
	54 081 970	**46 988 940**

Notes to the Annual Financial Statements

	2012	2011

12. Consumer debtors (continued)

	2012	2011
Less: Provision for debt impairment		
Electricity	(2 446 105)	(1 616 248)
Water	(5 306 184)	(3 973 234)
Sewerage	(2 798 837)	(2 124 978)
Refuse	(3 710 853)	(2 786 040)
Housing rental	(877)	(877)
Sundry	(15 028 490)	(13 314 965)
	(29 291 346)	**(23 816 342)**

	2012	2011
Net balance		
Electricity	4 978 946	6 772 166
Water	6 836 839	3 905 771
Sewerage	3 339 947	2 511 017
Refuse	4 714 091	3 203 692
Housing rental	(877)	(877)
Sundry	4 921 678	6 780 829
	24 790 624	**23 172 598**

Consumer debtors from non-exchange transactions

	2012	2011
Rates		
Gross balances	13 934 567	7 137 126
Less provision for impairment	(5 698 449)	(4 168 107)
Net balance	**8 236 118**	**2 969 019**

	2012	2011
Rates		
Current (0 -30 days)	1 616 274	(15 559)
31 - 60 days	791 918	1 703 775
61 - 90 days	383 964	591 810
91 - 120 days	364 377	316 103
121 - 365 days	3 827 651	248 729
> 365 days	1 251 934	124 161
	8 236 118	**2 969 019**

	2012	2011
Electricity		
Current (0 -30 days)	1 300 991	(69 708)
31 - 60 days	415 252	1 569 388
61 - 90 days	358 110	3 151 108
91 - 120 days	1 315 310	650 857
121 - 365 days	1 525 689	645 908
> 365 days	63 594	824 613
	4 978 946	**6 772 166**

	2012	2011
Water		
Current (0 -30 days)	1 057 355	(32 698)
31 - 60 days	1 215 737	1 334 073
61 - 90 days	419 489	1 675 155
91 - 120 days	741 759	568 785
121 - 365 days	3 494 494	303 027
> 365 days	(91 995)	57 429
	6 836 839	**3 905 771**

	2012	2011

12. Consumer debtors (continued)

	2012	2011
Sewerage		
Current (0 -30 days)	222 345	(695)
31 - 60 days	195 810	424 611
61 - 90 days	186 172	790 808
91 - 120 days	240 539	187 016
121 - 365 days	1 323 867	161 611
> 365 days	1 171 214	947 666
	3 339 947	**2 511 017**
Refuse		
Current (0 -30 days)	348 309	(2 396)
31 - 60 days	288 100	553 811
61 - 90 days	277 180	1 034 726
91 - 120 days	279 571	250 670
121 - 365 days	1 851 508	215 630
> 365 days	1 669 423	1 151 251
	4 714 091	**3 203 692**
Housing rental		
> 365 days	(877)	(877)
Sundry		
Current (0 -30 days)	743 304	(997 919)
31 - 60 days	306 516	1 368 128
61 - 90 days	789 938	1 016 018
91 - 120 days	170 150	362 476
121 - 365 days	844 701	3 918 652
> 365 days	2 067 069	1 113 474
	4 921 678	**6 780 829**

	2012	2011
Reconciliation of debt impairment provision		
Balance at beginning of the year	(27 984 449)	(28 004 517)
Contributions to provision	(7 005 346)	-
Debt impairment written off against provision	-	20 068
	(34 989 795)	**(27 984 449)**

Consumer debtors pledged as security

No consumer debtors were pledged as security.

Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Fair value of consumer debtors

	2012	2011
Consumer debtors	33 026 742	26 141 617

Consumer debtors past due but not impaired

Consumer debtors for which some payment was received during the last 12 months are not considered to be impaired. At 30 June 2012, R 25 633 565 (2011: R48 990 577) were past due but not impaired.

Notes to the Annual Financial Statements

	2012	2011

12. Consumer debtors (continued)

Consumer debtors impaired

As of 30 June 2012, consumer debtors of R Nil (2011: R Nil) were impaired and provided for.

The amount of the provision was R 34 989 795 as of 30 June 2012 (2011: R 27 984 449).

Reconciliation of provision for impairment of consumer debtors

	2012	2011
Opening balance	27 984 449	28 004 517
Contributions to provisions	7 005 346	-
Debt impairment written off against the provision	-	(20 068)
	34 989 795	**27 984 449**

13. Cash and cash equivalents

Cash and cash equivalents consist of:

	2012	2011
Cash on hand	13 830	13 755
Short - term deposits	9 836 739	10 221 028
Bank balances	668 852	472 497
	10 519 421	**10 707 280**

For the purpose of the cash flow statement, cash and cash equivalents comprise of the following balances:

	2012	2011
Reconciliation of bank balances:		
Bank balances - favourable	668 852	472 497

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

	2012	2011
Bank balances	668 852	472 497
Short term deposits	9 836 739	10 221 028
	10 505 591	**10 693 525**

Cash and cash equivalents pledged as collateral

No cash and equivalents of the municipality were pledged as collateral.

	2012	2011

13. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances 30 June 2012	Bank statement balances 30 June 2011	Cash book balances 30 June 2012	Cash book balances 30 June 2011
First National Bank - Barberton Branch (270152) Account Number (51600026441)	700 331	753 658	668 852	472 497
Absa BANK - Call Account - Nelspruit Branch 407 085 2360	12 778	12 765	12 778	12 765
First National Bank - Business Money Market Account - Account Number (62271408926)	509 384	27 910	509 384	337 910
First National Bank - Barberton Branch (270152)- Account Number (62199275647)	300 413	705 486	300 413	445 485
First National Bank - Barberton Branch (270152) Account Number (62305845995)	2 898 374	216 611	2 898 374	216 611
First National Bank - Barberton Branch (270152) Account Number (62305846612)	5 863 026	8 670 675	5 863 026	8 620 677
First National Bank - Barberton Branch (270152) Account Number (62305846935)	102 450	10 026	102 450	10 026
First National Bank - Barberton Branch (270152) Account Number (62305847222)	150 317	577 554	150 317	577 554
Total	**10 537 070**	**10 974 685**	**10 505 594**	**10 693 525**

14. Other financial liabilities

Held at amortised cost		
DBSA Vehicle Fleet Management	-	81 105
This loan bears interest at 8,94% and is fully paid.		
DBSA Loan L121	1 210 087	1 329 743
This loan bears interest at 14,5% and is repayable on 31 March 2018.		
DBSA Infratructure L122	1 000 338	1 076 842
This loan bears interest at 15% and is repayable on 31 March 2019.		
DBSA Infrastructure L124	697 220	741 697
This loan bears interest at 16,5% and is repayable on 30 September 2019.		
DBSA Loan Elec Ext 13 L25832	913 559	1 159 030
This loan bears interest at 10,81% and is repayable on 31 March 2015.		
DBSA Elec Loan Rural Electrification L102202	1 102 049	1 292 378
This loan bears interest at 9,08% and is repayable on 30 September 2016.		
	4 923 253	**5 680 795**

The fair values of the financial liabilities were determined by accepting the face values of outstanding capital.

Non-current liabilities		
At amortised cost	4 162 718	5 004 358

Notes to the Annual Financial Statements

	2012	2011

14. Other financial liabilities (continued)

Current liabilities		
At amortised cost	760 535	676 437
	4 923 253	**5 680 795**

15. Finance lease obligation

Minimum lease payments due		
- within one year	276 048	403 445
- in second to fifth year inclusive	50 520	331 455
	326 568	734 900
less: future finance charges	(23 828)	(87 409)
Present value of minimum lease payments	**302 740**	**647 491**

Present value of minimum lease payments due		
- within one year	254 879	307 625
- in second to fifth year inclusive	47 861	339 866
	302 740	**647 491**

Non-current liabilities	47 861	339 866
Current liabilities	254 879	307 625
	302 740	**647 491**

It is municipality policy to lease certain office equipment under finance leases.

The average lease term was 3 years and the average effective borrowing rate was 9% (2011: 9%).

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

16. Unspent conditional grants

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	-	7 637 600
Library Grant	-	5 933
Municipal Systems Improvement Grant	-	347 418
Expanded Public Works Incentive Grant	-	121 153
Disaster Relief Grant	2 877 322	-
	2 877 322	**8 112 104**

Movement during the year

Balance at the beginning of the year	8 112 104	10 288 970
Receipts during the year	53 913 292	63 057 992
Revenue recognition during the year	(59 148 074)	(65 234 858)
	2 877 322	**8 112 104**

See note 24 for reconciliation of grants from National/Provincial Government.

Notes to the Annual Financial Statements

	2012	2011

17. Provisions

Reconciliation of provisions - 2012

	Opening Balance	Contributions	Total
Landfill rehabilitation	3 296 273	4 553 727	7 850 000
Provision for perfomance bonuses	704 428	246 877	951 305
Provision for pro-rata bonuses	-	25 021	25 021
	4 000 701	**4 825 625**	**8 826 326**

Reconciliation of provisions - 2011

	Opening Balance	Contributions	Utilised during the year	Total
Landfill rehabilitation	2 796 273	500 000	-	3 296 273
Provision for performance Bonus	1 047 553	-	(343 125)	704 428
	3 843 826	**500 000**	**(343 125)**	**4 000 701**

	2012	2011
Non-current liabilities	7 850 000	3 296 273
Current liabilities	976 326	704 428
	8 826 326	**4 000 701**

The landfill rehibilitation provision represents management's best estimate of the municipality's liability. It relates to the present value of the costs involved to rehabilitate the land and move the landfill to a new site in 10 years time.

Performance bonuses accrue to employees, subject to certain conditions. The provision represents management's best estimate of the amount due to staff at the reporting date.

18. Trade and other payables

	2012	2011
Trade payables	15 710 292	17 003 356
Staff leave	3 739 342	3 375 006
Accrued Trade payables	7 607 163	172 449
Sundry deposits	-	3 039 904
Retentions	2 535 661	1 216 536
Other creditors	21 912	16 572
Sundry deposits and receipts	31 398	21 198
Unidentified bank deposits	1 956 631	2 472 892
Salary control account	-	179 119
	31 602 399	**27 497 032**

19. VAT payable

	2012	2011
VAT payable	12 761 968	12 301 390

VAT is payable on the receipt basis. Only once payment has been received is VAT paid to SARS.

Notes to the Annual Financial Statements

	2012	2011

20. Consumer deposits

	2012	2011
Electricity & Water	2 484 432	2 437 164

No interest is paid on consumer deposits.

21. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

	Financial liabilities at amortised cost	Financial liabilities at amortised cost
Other financial liabilities	4 923 253	5 680 795
Trade and other payables from exchange transactions	31 602 399	27 497 032
Finance lease obligation	302 740	647 491
VAT payable	12 761 968	12 301 390
Consumer deposits	2 484 432	2 437 164
	52 074 792	**48 563 872**

22. Property rates

Rates received

	2012	2011
Residential	11 224 990	9 188 117
Commercial	17 662 381	4 009 758
State	1 081 041	2 581 979
Other	-	58 205
Institutional	4 213 045	-
Rates rebate	(16 496 015)	-
	17 685 442	**15 838 059**

23. Service charges

	2012	2011
Sale of electricity	56 879 743	54 692 005
Sale of water	19 664 088	16 086 627
Sewerage and sanitation charges	5 218 658	5 421 747
Refuse removal	8 639 779	6 157 368
	90 402 268	**82 357 747**

24. Government grants and subsidies

	2012	2011
Library Grant	5 933	9 348
Department of Mineral and Energy (DME)	12 784 001	12 681 514
Equitable Share (IGG)	43 164 000	36 583 922
Finance Management Grant (FMG)	1 250 000	879 394
Municipal Infrastructure Grant (MIG)	30 045 094	13 662 169
Municipal Systems Improvement Grant (MSIG)	1 137 418	402 582
Expanded Public Works Incentive Grant (EPWP)	1 873 153	472 917
Disaster Relief Grant	2 796 798	-
Department of Water Affairs (DWAF)	1 150 000	-
	94 206 397	**64 691 846**

Notes to the Annual Financial Statements

	2012	2011

24. Government grants and subsidies (continued)

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services:

All residential consumers water (6KL)
Indigent community members electricity (50Kwh)

All registered (approved) indigent community members are also being subsidised on solid waste removal and sanitation. All registered (approved) indigent community members receive 100% subsidy on Property Tax.

The equitable share (portion as gazetted) is also being used to subsidise the remuneration of councillors. No funds were withheld.

MIG Grant

	2012	2011
Balance unspent at beginning of year	7 637 600	5 669 769
Current year receipts	22 407 494	15 630 000
Conditions met - transferred to revenue	(30 045 094)	(13 662 169)
Unspent at the end of the year	**-**	**7 637 600**

This grant was used for the replacement of the AC waterpipes with PVC water pipes (Phase 4), bulk water supply at KaMadakwa Ndlovu and Ejindini Trust, roads and storm water Enjindini Ext 12 (Phase 4).

Finance Management Grant

	2012	2011
Balance unspent at beginning of year	-	(120 606)
Current-year receipts	1 250 000	1 000 000
Conditions met - transferred to revenue	(1 250 000)	(879 394)
Unspent at the end of the year	**-**	**-**

This grant was used for the CPMD training of 4 officials, the remuneration of 3 interns and assistance with the compilation of the financial statements and turn around strategy for the 2010/2011 financial year.

DME Grant

	2012	2011
Balance unspent at beginning of year	-	4 181 514
Current-year receipts	12 784 000	8 500 000
Conditions met - transferred to revenue	(12 784 000)	(12 681 514)
Unspent at the end of the year	**-**	**-**

This grant was used for new electricity infrastructure at Emjindini Trust, Dixy Farm, Lindokuhle, Pola Park and Verulam.

Library Grant

	2012	2011
Balance unspent at beginning of year	5 933	15 281
Conditions met - transferred to revenue	(5 933)	(9 348)
Unspent at the end of the year	**-**	**5 933**

This grant was used to upgrade library facilities to improve services and address the needs of the community. No funds were withheld.

Notes to the Annual Financial Statements

	2012	2011

24. Government grants and subsidies (continued)

MSIG Grant

	2012	2011
Balance unspent at beginning of year	347 418	-
Current-year receipts	790 000	750 000
Conditions met - transferred to revenue	(1 137 418)	(402 582)
Unspent at the end of the year	**-**	**347 418**

This grant was used for the updating of a credible valuation roll and Grap 17 asset register.

Expanded Public Works Incentive Grant

	2012	2011
Balance unspent at beginning of year	121 153	-
Current-year receipts	1 752 000	594 070
Conditions met - transferred to revenue	(1 873 153)	(472 917)
Unspent at the end of the year	**-**	**121 153**

This grant was used on programmes aimed at providing poverty and income relief through temporary work for the unemployed.

Disaster Relief Grant

	2012	2011
Current-year receipts	5 674 120	-
Conditions met - transferred to revenue	(2 796 798)	-
Unspent at the end of the year	**2 877 322**	**-**

This grant was used for the disaster (storm) damages and replacement of damaged buildings.

Department of Water Affairs (DWAF)

	2012	2011
Current-year receipts	1 150 000	-
Conditions met - transferred to revenue	(1 150 000)	-
	-	**-**

This grant was used for the construction of the sludge dam at the Sewerage Treatment Plant.

25. Other income

	2012	2011
Other income	9 791 937	11 862 351

Other income is made up as follows:

	2012	2011
Sale of stands	6 959 667	7 798 174
Connections - water, sewerage and electricity	1 522 798	716 473
Sundry income	490 985	2 284 268
Telephone calls and admin costs	210 137	180 037
Application and tender fees	135 512	544 301
BOBS	92 921	125 839
Burial fees	131 832	112 205
SETA income	248 085	101 054
	9 791 937	**11 862 351**

Notes to the Annual Financial Statements

	2012	2011
26. General expenses		
Accounting fees	1 524 722	677 554
Administration costs	1 773 770	1 448 307
Advertising	185 786	182 705
Assets expensed	-	1 740 041
Auditors remuneration	3 264 395	2 297 748
Bank charges	237 553	477 795
Chemicals	349 509	271 947
Consulting and professional fees	119 940	407 102
Contributions to provisions (landfill, performance bonuses and staff leave)	6 519 800	2 186 346
Delegation fees	576 714	610 118
Departmental charges	3 207 183	3 369 540
Entertainment	36 796	54 531
Fleet	5 384 812	-
Grant expenditure	15 743 296	(35 653 159)
Insurance	1 333 477	1 019 192
Lease rentals on operating lease	1 326 029	644 997
Magazines, books and periodicals	6 228	17 686
Other expenses	7 971 942	15 439 186
Postage and courier	12 845	11 529
Printing and stationery	653 199	870 598
Security	1 855 835	1 062 152
Subscriptions and membership fees	126 388	275 747
Telephone and fax	2 382 466	1 737 873
Town planning	1 398 396	926 262
Training	407 192	214 233
Travel - local	2 594 906	2 579 190
	58 993 179	**2 869 217**
27. Employee related costs		
Basic	32 137 037	29 250 830
Medical aid - company contributions	2 491 082	2 167 957
Unemployment Insurance Fund	378 668	309 640
Workmens Compensation	310 956	-
Annual bonuses	2 340 240	2 173 772
Travel allowances	3 225 966	2 320 957
Overtime payments	4 009 246	3 502 061
Stand by allowances	460 083	393 546
Housing benefits, uniform and acting allowances	789 246	1 279 210
Pension contributions and group insurance	6 965 057	6 117 706
	53 107 581	**47 515 679**
Remuneration of Municipal Manager		
Annual Remuneration	1 016 074	967 075
Performance Bonuses	-	135 391
	1 016 074	**1 102 466**

Notes to the Annual Financial Statements

	2012	2011

27. Employee related costs (continued)

Remuneration of Chief Financial Officer

Annual Remuneration	491 414	496 688
Acting allowance	114 210	-
	605 624	**496 688**

2011: The Previous Chief Financial Officer resigned in January 2011
2012: The Chief Financial Officer was appointed 01 December 2011

The Deputy CFO acted in the position.

Remuneration of Director Electrical Services

Annual remuneration:	834 376	794 140
Performance bonuses	-	103 867
	834 376	**898 007**

The Director Electrical Services acted in the position. No acting allowance was paid.

Remuneration of Director Community Services

Annual Remuneration	280 808	-

The Director Community Service was appointed 1 March 2012.

Remuneration of Director Civil

Annual Remuneration	-	198 535
Acting allowance	251 124	-
	251 124	**198 535**

2010: Director Civil deceased in October 2010.

The position was vacant for the entire year. The Deputy Manager Civil Services acted in the position.

Remuneration of Director Corporate Services

Annual Remuneration	280 808	-
Acting allowance	193 377	-
	474 185	**-**

The Director Corporate Services was appointed 1 March 2012.

The Deputy Manager in the Office of the Municipal Manager acted in the position.

Total employee related costs	56 569 772	50 315 242

Notes to the Annual Financial Statements

	2012	2011

28. Remuneration of Councillors

Executive Mayor	536 992	566 187
Mayoral Committee Members	786 129	852 121
Speaker	421 832	452 994
Councillors	2 285 133	1 708 145
Councillors' pension contribution	467 054	382 528
Councillors' medical aid contribution	108 157	88 682
	4 605 297	**4 050 657**

29. Interest received

Bank	561 807	534 982
Other institutions and operating bank account	-	99 353
	561 807	**634 335**

30. Depreciation and amortisation

Property, plant and equipment	24 887 128	24 922 697
Intangible assets	22 011	13 756
	24 909 139	**24 936 453**

31. Finance costs

Trade and other payables	168 604	3 855
Finance leases	63 580	1 992 238
Current borrowings	643 186	759 093
	875 370	**2 755 186**

32. Grants and subsidies paid

Grants Paid		
Umjindi Development Agency	-	90 000

The municipality paid a grant of R90 000 to Umjindi Development Agency in 2011.

33. Bulk purchases

Electricity	51 179 127	39 780 391

34. Correction of prior period errors

During the 2010/11 financial year the following were recognised incorrectly:

DME grant not accounted for correctly in 2009	-	(2 000 000)
Prepaid electricity error	-	(5 620)
Stale cheques reversed	-	(243 407)
Retention due reversed	-	(471 246)
Journal reversal incorrectly processed	-	407 811
Vehicle registration fees incorrectly stated	-	71 934
	-	-

The adjustments resulted in the comparative amount being restated as follows:

Accumulated surplus	**-**	**(2 240 528)**

	2012	2011

34. Correction of prior period errors (continued)

Property, plant and equipment

During the 2010/2011, the municipality unbundled its infrastracture assets. However various errors were identified which were corrected for each category of Property, plant and equipment as follows:

Land

Properties were identified that belonged to the Municipality, were incorrectly classified as PPE instead of Investment Property and were incorrectly valued. The total adjustment resulted in an increase in the value by R58 132 900.

Buildings

Certain buildings were erroneously captured as municipal property and depreciation was incorrectly provided. The total adjustment resulted in a decrease in the carrying value by R3 564 335.

Infrastructure

Certain infrastructure assets unbundled value was incorrect and depreciation was incorrectly calculated. The total adjustments resulted in an increase in the carrying value by R121 263 852.

Community Assets

Certain buildings were incorrectly classified and depreciation was incorrectly calculated. The total adustments resulted in a decrease in the carrying value by R2 951 252.

Other assets

Certain assets fair values were incorrect and were adjusted and the depreciation was recalculated. The total adjustments resulted in a decrease in the carrying value by R4 667 779.

WIP

Certain WIP was completed and incorrectly reflected under WIP. The total WIP was decreased by R20 236 899.

Landfill Site

Depreciation was not correctly provided in prior years. The total adjustments resulted in a decrease in the carrying value by R1 821 450.

Investment Property

Properties were erroneously reflected as Investments Property instead of PPE. The total adjustment resulted in a decrease in the cost by R5 105 950.

Intangible assets

Amortisation was incorrectly calculated on certain Intangible assets. The total adjustment resulted in an increase in the carrying value by R807.

	2012	2011
Statement of financial position		
Increase in property, plant and equipment	-	26 209 959
Decrease in investment property	-	(5 105 950)
Decrease in accumulated depreciation	-	119 945 087
Decrease in accumulated amortisation	-	807
Decrease in net assets	**-**	**141 049 903**
Statement of financial performance		
Decrease in depreciation and amortisation	-	(1 388 853)

Notes to the Annual Financial Statements

	2012	2011

34. Correction of prior period errors (continued)

Increase in net surplus for the year	**-**	**(1 388 853)**

During the 2010/2011 financial year, various Trade Payables captured as paid whilst these were outstanding. The adjustments resulted in the comparative amounts being restated as follows:

Decrease in Bank overdraft	-	(11 016 768)
Increase in Trade Payables	-	11 016 768
Increase in net assets	**-**	**-**

35. Cash generated from operations

Surplus	11 937 339	52 256 071
Adjustments for:		
Depreciation and amortisation	24 909 139	24 936 453
Loss on sale of assets	1 350 536	858 507
Fair value adjustments	(41 647)	(769 000)
Finance costs - Finance leases	63 580	1 992 238
Interest received from investments	-	(634 335)
Finance costs	811 790	762 948
Impairment of property, plant and equipment	111 341	-
Contributions to bad debt provision	7 005 347	-
Movements in retirement benefit assets and liabilities	1 270 555	7 003 287
Movements in provisions	4 825 625	651 704
Changes in working capital:		
Inventories	734 452	(386 039)
Other receivables	2 107	627 824
Consumer debtors	(13 890 472)	(12 449 681)
Trade and other payables	4 105 365	16 507 198
VAT	460 578	3 883 478
Unspent conditional grants	(5 234 782)	(2 176 866)
Consumer deposits	47 268	224 033
	38 468 121	**93 287 820**

36. Capital Commitments

Commitments in respect of capital expenditure

Approved and contracted for:		
• Infrastructure	21 965 212	19 316 619
The expenditure will be financed from:		
• Accumulated surplus	-	2 427 502
• Government grants	21 965 212	16 889 117
	21 965 212	**19 316 619**

Commitments in respect of operating expenditure

Approved and contracted for:		
• Operating expenditure	19 777 836	-

Notes to the Annual Financial Statements

	2012	2011

37. Contingencies

Contingent liability

Summons was issued to the Municipality for not settling an arrear account of R 3 440 with CF Liebenberg Attorney. The Municipality required the legal services with regards to a claim instituted against the Municipality for payment of the amount of R 19 872 to Ilze Steenkamp.

Contingent assets

Summons was issued in the Magistrate's Court for the district of Nelspruit for the amount of R 215 250 against Afrirent (Pty) Ltd. This amount is due to the Municipality because of an agreement between the parties to lease trucks and equipment from Afrirent (Pty) Ltd. As Afrirent (Pty) Ltd could not produce in terms of its obligations in the lease agreement, the agreement was subsequently cancelled by obtaining an order to that effect in a Supreme Court Application in the North Gauteng High Court.

Summons was issued in the North Gauteng High Court to collect the amount of R 198 181 from SAMWU. This amount is for pension contributions of a few members which was paid to SAMWU with regards to these members that have switched from MEGF to SAMWU.

38. Related parties

Relationships

The Umjindi Municipal Development Agency (UMDA) was incorporated on 30 October 2008. The Umjindi Local Municipality Council resolved to report all Agency related pre-incorporation financial transactions for the first time at 30 June 2009.

Controlling entity	Umjindi Local Municipality
Authorised shares	1 000 @ R1
Issued shares	100 @ R1

Umjindi local municipality holds 100 % of issued shares.

Related party transactions

	2012	2011
UMDA		
Pre establishment grant	-	90 000

Notes to the Annual Financial Statements

	2012	2011

39. Risk management

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for member and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes15, 14, cash and cash equivalents disclosed in note13, and equity as disclosed in the statement of financial position.

There are no externally imposed capital requirements.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

The gearing ratio at 2012 and 2011 respectively were as follows:

	2012	2011
Total borrowings		
Finance lease obligations	302 740	647 491
Other financial liabilities	4 923 253	5 680 795
	5 225 993	**6 328 286**
Total borrowings	5 225 993	6 328 286
Less: Cash and cash equivalents	10 512 421	10 707 280
	15 738 414	**17 035 566**
Net debt	15 738 414	17 035 566
Total equity	775 529 120	763 456 599
	791 267 534	**780 492 165**

Financial risk management

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limit.

The Chief Financial Officer monitors and manages the financial risks relating to the operations through internal policies and procedures. The risks include interest rate risk, credit risk and liquidity risk. Risk Management policies and systems are reviewed regularly to reflect changes to market conditions and the Municipality's activities, and compliance with policies and procedures is reviewed by the internal auditors on a continuous basis and annually by external auditors. The Municipality does not enter into or trade financial instruments for speculative purposes.

The Municipality's activities expose it to a variety of financial risk; market risk, credit risk and liquidity risk.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality’s risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

39. Risk management (continued)

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

Credit risk

39. Risk management (continued)

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Municipality. The Municipality has sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Municipality uses other publicly available financial information and its own trading records to assess its major customers. The Municipality's exposure of its counterparties are montitored regularly.

Potential concentrations of credit rate risk consists mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments / Cash and Cash Equivalents

The Municipality limits its counterparty exposures from its short-term investments (Financial assets that are neither pass, due nor impaired) by only dealing with well-established financial institutions short-term credit rating of BBB and long term credit rating of AA and higher at an international accredited credit rating agency. The Municipality's exposure is continuously monitored and the aggregte value of transactions concluded is spread amongst different types of approved investments and institutions, in accordance with its investment policy. Consequently the municipality does not consider there to be any significant exposure to credit risk.

Trade and other receivables

Trade and other receivables are amounts owing by consumers and are presented net of impairment losses. The Municipality has a Credit Risk Policy in place, and the exposure to credit risk is monitored on an ongoing basis. The Municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness, subsequently the Municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur rates, water and electricity debts.

The Municipality limits the risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- through the application of Section 118 (3) of the Municipal Systems Act (MSA) which permits the Municipality to refuse connnection of services whilst any amount remains outstanding from a previous debtor on the same property.
- A new owner is advised, prior to the issue of a revenue clearance certificate that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount.
- Through the consolidation of rates and service accounts, thereby disconnecting services for the non-payment of any of the individual debts, in terms of Section 102 of the MSA.
- Through the requirement of a deposit for new service connections, serving as guarantee.
- Through encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statment of Financial Position without taking into account the value of any colalteral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers and is not concentrated in any particular sector or geographical area.

The municpality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors who are unable to pay are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer.

Long Term receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting a report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting.

Except as detailed in the following table, the carrying amount of financial assets recorded in the Annual Financial Statements which is net of impairment losses, represents the Municipality's maximum exposure to credit risk without taking into account the value of any collateral obtained.

Notes to the Annual Financial Statements

	2012	2011

39. Risk management (continued)

Financial assets exposed to credit risk at year end were as follows:

Financial instrument		
Consumer debtors	33 026 742	26 141 617
Other receivables from non-exchange transactions	18 849	20 956
Cash and cash equivalents	10 519 422	10 707 280

40. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

41. Events after the reporting date

There were no events after balance sheet date that were considered adjustable.

42. Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure		
Opening balance	3 855	-
Fruitless and wasteful expenditure current year	168 604	3 855
Condoned or written off by Council	-	-
Fruitless and wasteful expenditure awaiting condoned	-	-
	172 459	**3 855**

The fruitless and wasteful expenditure was a result of interest charged on late payment of suppliers due to cash flow constraints.

43. Additional disclosure in terms of Municipal Finance Management Act

Contributions to SALGA

Balance at beginning of the year	(279 140)	-
Membership fees payable	390 796	263 340
Amount paid - current year	(111 656)	(542 480)
	-	**(279 140)**

Audit fees		
Opening balance	-	1 190 413
Current year expense	3 264 395	1 107 335
Amount paid	(3 264 395)	(2 297 748)
	-	-

PAYE and UIF		
Current year payroll deduction : PAYE	6 583 534	6 062 328
Current year payroll deduction : UIF	733 806	311 430
Amount paid - current year : PAYE	(6 583 534)	(6 062 328)
Amount paid - current year : UIF	(733 806)	(311 430)
	-	-

	2012	2011

43. Additional disclosure in terms of Municipal Finance Management Act (continued)

	2012	2011
Pension and Medical Aid Deductions		
Current year payroll deduction : Pension	9 188 279	5 722 003
Current year payroll deduction : Medical Aid	4 363 763	2 167 957
Amount paid - current year : Pension	(9 188 279)	(5 722 003)
Amount paid - current year : Medical Aid	(4 363 763)	(2 167 957)
	-	-

VAT

	2012	2011
VAT payable	12 761 968	12 301 390

Councillors' and officials arrear consumer accounts

The following Councillors and Officials had arrear accounts outstanding for more than 90 days at 30 June 2012:

30 June 2012	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr. Cecelo EN	1 916	548	2 464
Cllr. Hlope JM	395	-	395
Cllr. Manyisa TR	774	77	851
Cllr. Mthunywa AZ	120	1 504	1 624
Cllr. Jacobs ME	5 372	4 326	9 698
Cllr. Mnisi PM	794	2 688	3 482
Morgan VG	2 524	1 995	4 519
Hobbs CJ	2 307	6 783	9 090
Tembe LD	670	385	1 055
Myeni VV	661	1 011	1 672
Nkosi NP	3 841	930	4 771
Thwala ZR	832	864	1 696
Nkabinde MS	6 320	20 157	26 477
Reddy M	2 266	3 190	5 456
Msibi MK	437	1 430	1 867
Mangokoane E	582	2 344	2 926
Nkosi FT	634	1 103	1 737
Shongwe AP	1 960	6 073	8 033
Nkosi BS	349	549	898
Mbamba ED	215	-	215
Masinga NB	327	992	1 319
Nkosi DT	825	3 316	4 141
Mahlalela SP	389	1 218	1 607
Magagulu DW	599	1 327	1 926
Nkosi VE	393	2 277	2 670
Mahlalela A	589	1 207	1 796
Ncongwane SB	575	1 433	2 008
Mazibuko PF	1 289	385	1 674
Phiri DM	1 891	9 708	11 599
Mabuza SM	239	229	468
Thusi MP	490	1 692	2 182
Mkhatswa SD	384	658	1 042
Magagula JD	469	1 559	2 028
Thwala MT	335	1 931	2 266
Mashele MS	375	696	1 071
Singwane BP	266	821	1 087
Zitha MA	197	-	197
Mathebula RB	237	157	394
Nkosi JZ	375	696	1 071
Thwala MNR	518	533	1 051

	2012	2011

43. Additional disclosure in terms of Municipal Finance Management Act (continued)

Sibiti KC	384	658	1 042
Madonsela BD	389	1 324	1 713
Malinga KD	409	759	1 168
Mashabane CS	2 610	1 190	3 800
Ngomane ME	219	1 386	1 605
Fonete TT	1 025	1 641	2 666
Lukhele EM	344	287	631
Madonsela SM	308	626	934
Ndlovu ZJ	427	306	733
Msibi KR	356	697	1 053
Ngomane MA	525	1 725	2 250
De Villiers I	872	-	872
Visagie HW	2 065	9 079	11 144
Nkosi NO	1 494	-	1 494
Mkhatswa ZO	586	-	586
Ndlovu SG	3 549	2 005	5 554
Thabethe TB	779	7 242	8 021
Gwebu FG	2 873	1 201	4 074
Mabuza JM	457	270	727
	63 402	**117 188**	**180 590**

30 June 2011	**Outstanding less than 90 days**	**Outstanding more than 90 days**	**Total**
Councillor E.N. Cecelo	-	6 294	6 294
Z.R Thwala	1 674	662	2 336
S.P Ndlazi	986	3 328	4 314
R.F Baloyi	612	3 086	3 698
M.S Nkabinde	6 147	24 399	30 546
D.M Phiri	1 615	14 770	16 385
I.T Zulu	1 007	685	1 692
F.A Manana	3 594	3 557	7 151
T.T Fonete	1 141	2 737	3 878
J.S Nkosi	1 219	8 278	9 497
	17 995	**67 796**	**85 791**

Distribution losses in terms of MFMA 125(2)(d)(i)

Material losses incurred during the year under review were as follows:

	2012	2011
Electricity		
Units purchased	87 063 910	-
Units sold	60 394 392	-
Loss by distribution	26 699 518	-
% loss	**30.63**	**-**

	2012	2011
Water		
Kiloliter purified	4 295 470	-
Kiloliter sold	3 464 154	-
Loss by distribution	831 316	-
% loss	**19.30**	**-**

Notes to the Annual Financial Statements

	2012	2011

44. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

The reason for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

The deviation details are reflected on Appendix E.

45. Disclosure on arrears by Government

	2012	2011
Department of Education		
Arrear	220 825	133 158
Department of Public Works		
Arrear	1 273 642	2 039 321
Department of Arts and Culture		
Arrear	17 205	-

46. Fair value adjustments

	2012	2011
Investment property (Fair value model)	-	769 000
Property, plant and equipment	41 647	-
	41 647	**769 000**

47. Operating lease

The municipality as a lessee

Operating leases relate to motor vehicles with lease terms of between one to five years. The municipality does not have an option to purchase the leased asset at the expiry date.

At reporting date the municipality had outstanding commitments under operating leases which fall due as follows:

	2012	2011
Up to 1 year	3 757 795	
1 - 5 years	14 548 320	
More than 5 years		
Total operating lease arrangements	**18 306 115**	**0**

48. Comparison with the budget

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexure D.

Appendix A
June 2012

Schedule of external loans as at 30 June 2010

	Interest rate	Redeemable	Balance at 30 June 2011 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2012 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Stock loans								
CMB Nominees	12.30%	31-Jan-08	-	-	-	-	-	-
CMB Nominees	10.05%	31-Jan-09	-	-	-	-	-	-
STD Bank Nom.	16.75%	31-Dec-06	-	-	-	-	-	-
STD Bank Nom.	16.70%	31-Dec-07	-	-	-	-	-	-
			-	**-**	**-**	**-**	**-**	**-**
Annuity loans								
DBSA	14.50%	31-Mar-18	1 329 743	-	-	1 329 743	-	-
DBSA	15.00%	31-Mar-19	1 076 842	-	-	1 076 842	-	-
DBSA	16.50%	30-Sep-19	741 697	-	-	741 697	-	-
DBSA	10.81%	31-Mar-15	1 159 030	-	-	1 159 030	-	-
DBSA	9.08%	30-Sep-16	1 292 379	-	-	1 292 379	-	-
			5 599 691	**-**	**-**	**5 599 691**	**-**	**-**
Total external loans								
Stock loans			-	-	-	-	-	-
Annuity loans			5 599 691	-	-	5 599 691	-	-
			5 599 691	**-**	**-**	**5 599 691**	**-**	**-**

Appendix B
June 2012

Analysis of property, plant and equipment as at 30 June 2012

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land	30 974 059	-	-	-	-	-	30 974 059	-	-	-	-	-	-	30 974 059
Landfill Sites (Separate for AFS pursoses)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	30 974 059	-	-	-	-	-	**30 974 059**	-	-	-	-	-	-	**30 974 059**
Infrastructure														
Roads, Pavements & Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastructur)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	2 796	-	-	-	-	-	2 796	-	-	-	-	-	-	2 796
	2 796	-	-	-	-	-	**2 796**	-	-	-	-	-	-	**2 796**
Community Assets														
Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Appendix B

June 2012

Analysis of property, plant and equipment as at 30 June 2012

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets														
General vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant & equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total property plant and equipment														
Land and buildings	30 974 059	-	-	-	-	-	**30 974 059**	-	-	-	-	-	-	30 974 059
Infrastructure	2 796	-	-	-	-	-	**2 796**	-	-	-	-	-	-	2 796
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Appendix B
June 2012

Analysis of property, plant and equipment as at 30 June 2012

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
	30 976 855	**-**	**-**	**-**	**-**	**-**	**30 976 855**	**-**	**-**	**-**	**-**	**-**	**-**	**30 976 855**
Agricultural/Biological assets														
Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets														
Computers - software & programming	44	51	-	-	-	-	**95**	-	-	-	-	-	-	95
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	44	**51**	**-**	**-**	**-**	**-**	**95**	**-**	**-**	**-**	**-**	**-**	**-**	**95**
Investment properties														
Investment property	107 213	-	-	-	-	-	**107 213**	-	-	-	-	-	-	107 213
	107 213	**-**	**-**	**-**	**-**	**-**	**107 213**	**-**	**-**	**-**	**-**	**-**	**-**	**107 213**
Total														
Land and buildings	30 974 059	-	-	-	-	-	**30 974 059**	-	-	-	-	-	-	30 974 059
Infrastructure	2 796	-	-	-	-	-	**2 796**	-	-	-	-	-	-	2 796
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	44	51	-	-	-	-	**95**	-	-	-	-	-	-	95
Investment properties	107 213	-	-	-	-	-	**107 213**	-	-	-	-	-	-	107 213
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	31 084 112	**51**	**-**	**-**	**-**	**-**	**31 084 163**	**-**	**-**	**-**	**-**	**-**	**-**	**31 084 163**

Appendix C
June 2012

Segmental Statement of Financial Performance

	Cost/Revaluation							Accumulated Depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
Municipality														
Executive & Council/Mayor and Council	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Finance & Admin/Finance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Planning and Development/Economic Development/Plan	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health/Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Comm. & Social/Libraries and archives	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public Safety/Police	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sport and Recreation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Environmental Protection/Pollution Control	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Water Management/Sewerage	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Road Transport/Roads	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water/Water Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity /Electricity Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other/Air Transport	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Municipal Owned Entities														
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total														
Municipality	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Municipal Owned Entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Appendix C
June 2012

Segmental Statement of Financial Performance

Cost/Revaluation							Accumulated Depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-

Segmental Statement of Financial Performance for the year ended

Prior Year				Current Year		
Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
			Municipality			
-	-	-	Executive & Council/Mayor and Council	-	-	-
-	-	-	Finance & Admin/Finance	-	-	-
-	-	-	Planning and Development/Economic Development/Plan	-	-	-
-	-	-	Health/Clinics	-	-	-
-	-	-	Comm. & Social/Libraries and archives	-	-	-
-	-	-	Housing	-	-	-
-	-	-	Public Safety/Police	-	-	-
-	-	-	Sport and Recreation	-	-	-
-	-	-	Environmental Protection/Pollution Control	-	-	-
-	-	-	Waste Water Management/Sewerage	-	-	-
-	-	-	Road Transport/Roads	-	-	-
-	-	-	Water/Water Distribution	-	-	-
-	-	-	Electricity /Electricity Distribution	-	-	-
-	-	-	Other/Air Transport	-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	**-**	**-**		**-**	**-**	**-**
			Municipal Owned Entities			
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	**-**	**-**		**-**	**-**	**-**
			Other charges			
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	**-**	**-**		**-**	**-**	**-**
-	-	-	Municipality	-	-	-
-	-	-	Municipal Owned Entities	-	-	-
-	-	-	Other charges	-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-

Appendix D
June 2012

Segmental Statement of Financial Performance for the year ended

Prior Year				Current Year		
Actual Income Rand	**Actual Expenditure Rand**	**Surplus /(Deficit) Rand**	**Rand**	**Actual Income Rand**	**Actual Expenditure Rand**	**Surplus /(Deficit) Rand**
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	**-**	**-**	**Total**	**-**	**-**	**-**

Appendix E(1)
June 2012

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2012

	Forecast # 1 2012 Act. Bal. Rand	Current year 2011 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Sale of goods	-	-	-	-	(Explanations to be recorded)
Sale of goods in agricultural activities	-	-	-	-	
Rendering of services	-	-	-	-	
Rendering of services in agricultural activities	-	-	-	-	
Property rates	15 838 059	-	15 838 059	-	
Service charges	82 357 747	-	82 357 747	-	
Levies	-	-	-	-	
Property rates - penalties imposed and collection charges	-	-	-	-	
Sales of housing	-	-	-	-	
Construction contracts	-	-	-	-	
Royalty income	-	-	-	-	
Rental of facilities and equipment	663 684	-	663 684	-	
Interest received (trading)	3 075 259	-	3 075 259	-	
Dividends received	-	-	-	-	
Income from agency services	-	-	-	-	
Public contributions and donations	-	-	-	-	
Fines	227 958	-	227 958	-	
Licences and permits	2 365 890	-	2 365 890	-	
Government grants & subsidies	64 691 846	-	64 691 846	-	
Municipal Revenue UD1	-	-	-	-	
Municipal Revenue UD2	-	-	-	-	
Revenue 1	-	-	-	-	
Revenue 2	-	-	-	-	
Miscellaneous other revenue	-	-	-	-	
Administration and management fees received	-	-	-	-	
Fees earned	-	-	-	-	
Commissions received	-	-	-	-	
Royalties received	-	-	-	-	
Rental income	-	-	-	-	
Discount received	-	-	-	-	
Recoveries	-	-	-	-	
Other income 1	11 862 351	-	11 862 351	-	
Other income 2	-	-	-	-	
Other income 3	-	-	-	-	
Other income	-	-	-	-	
Other farming income 1	-	-	-	-	
Other farming income 2	-	-	-	-	
Other farming income 3	-	-	-	-	
Other farming income 4	-	-	-	-	
Other farming income	-	-	-	-	
Government grants	-	-	-	-	
Interest received - investment	634 335	-	634 335	-	

Appendix E(1)
June 2012

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2012

	Forecast # 1 2012 Act. Bal.	Current year 2011 Adjusted budget	Variance		Explanation of Significant Variances greater than 10% versus Budget
Interest received - other	-	-	-	-	
Dividends received	-	-	-	-	
	181 717 129	-	181 717 129	-	
Expenses					
Personnel	(50 315 241)	-	(50 315 241)	-	
Manufacturing - Employee costs	-	-	-	-	
Remuneration of councillors	(4 050 657)	-	(4 050 657)	-	
Administration	-	-	-	-	
Transfer payments	-	-	-	-	
Depreciation	(24 922 696)	-	(24 922 696)	-	
Impairment	-	-	-	-	
Amortisation	(13 756)	-	(13 756)	-	
Impairments	-	-	-	-	
Reversal of impairments	-	-	-	-	
Finance costs	(2 755 185)	-	(2 755 185)	-	
Debt impairment	-	-	-	-	
Collection costs	-	-	-	-	
Repairs and maintenance - Manufacturing expenses	-	-	-	-	
Repairs and maintenance - General	(4 574 406)	-	(4 574 406)	-	
Repairs and maintenance - General	-	-	-	-	
Bulk purchases	(39 780 391)	-	(39 780 391)	-	
Contracted Services	-	-	-	-	
Grants and subsidies paid	(90 000)	-	(90 000)	-	
Cost of housing sold	-	-	-	-	
General Expenses	(2 869 217)	-	(2 869 217)	-	
Other (taken out of General expenses)	-	-	-	-	
Other (taken out of General expenses)	-	-	-	-	
Other (taken out of General expenses)	-	-	-	-	
Other (taken out of General expenses)	-	-	-	-	
Other (taken out of General expenses)	-	-	-	-	
	(129 371 549)	-	(129 371 549)	-	
Other revenue and costs	(89 507)	-	(89 507)	-	
Net surplus/ (deficit) for the year	52 256 073	-	52 256 073	-	